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relinquishment of ambitions on the part of other Belgian ports, such as Bruges, Ghent or Brussels, to become extensive marts for ocean-going commerce. Traffic at the port of Antwerp was rapidly reestablished in 1919. During May, 1920, the entries and departures at this port corresponded to the average monthly tonnage of 1912, although in the latter year the transit traffic from Germany was an important part of the whole, while in 1920 it was almost nil.

One other trade development is largely in the hands of the Belgians—that with the Congo. The mother country has just begun to realize the increasing importance of this colony. With an extent of almost a million square miles and a great undeveloped richness in tropical products, the Congo

affords remarkable trade opportunities. Here one finds an extensive market for foodstuffs, coarser textiles, clothing and machinery in return for which he may import large quantities of rubber, ivory, palm-nuts, palm-oil and copal—raw materials which abound in the Congo and are increasingly demanded by Belgian industries as well as by all other important industrial nations of the world. This opportunity is not passing unnoticed. The recent establishment of new shipping lines from Antwerp to the Congo, the improvement in communication facilities between the two countries and within the Congo itself, together with recent large investments in colonial ventures, prove that Belgium has a vision of the commercial value of its African possession.

Commercial Policy in Spain After the War

By CHESTER LLOYD JONES, PH.D.

C. Tenant Sons Company, New York

THOUGH Spain, like other neutrals, could not escape some of the irksome limitations which the European war created for the non-belligerent nations, it enjoyed during the conflict a period of unexampled prosperity. A series of good crops and legislation to limit the shipment of foodstuffs abroad helped to keep down the rising cost of living, and the high prices created by the war caused an exceptional price level for the national goods which were exported and stimulated the national industries. The geographical location of the country gave it a long land frontier on the borders of one of the chief belligerents insuring easy access for its products to the area of military operations. Freed from competition with foreign manufacturers by the necessities of the belligerents, the home industries enjoyed a greater patronage

in the home market than had formerly been their lot.

How favorable the general commercial position was can be illustrated by the conditions in almost any of the greater economic interest groups in the country. The unfavorable balance of trade amounting to 248,000,000 pesetas in 1913 was changed to favorable balance of 574,000,000 in the banner year 1917 and was still 417,000,000 in 1919. Exports rose from a value of 868,000,000 pesetas in 1914 to 1,316,000,000 in 1919. The proportion of manufactured articles in the exports rose sharply from 24 per cent in 1913 to over 40 per cent in the war period. It was 36 per cent even in 1919.¹

¹The increase of values was in reality much greater than this comparison indicates. The Spanish customs returns are made up on official valuations which have not been changed since 1913.

Raw cotton for the Spanish textile industry was imported in rapidly rising quantities reaching almost a third of a million bales in 1919. During the war, of course, this cotton largely found its way abroad again in goods manufactured for the allied armies. Wool textile exports rose from about 600,000 pounds a year before the war to 27,000,000 pounds in 1915, and even in 1919 were more than twenty times as great as before the war. The leather and shoe-making industries prospered as they had never done before. The iron and steel exports increased in value from about 5,000,000 pesetas before the war to 36,000,000 in 1916. Coal production rose from 4,000,000 to 7,000,000 tons; the products of the olive- and grape-growing industries reached unprecedented values. Viewed from the standpoint of the national industries and international trade, it seemed that the war was, if not an unmixed blessing to Spain, at least something which brought in its train a very comfortable margin of advantages.

MOVEMENT TOWARD ECONOMIC INDEPENDENCE

Public opinion in Spain after the war was strongly in favor of capitalizing and making permanent the advantages which the conflict had brought to the kingdom. There was no lack of confidence that it could be done. Other nations have won from the war their right to political self-determination. Spain was confident that now was her chance to win economic independence.

The longing to be "free from economic dependence on the foreigner" is not a new development. At least since the period of the Spanish-American war it has been an ideal which has always had a strong political appeal. From it sprang the legislation intended

to foster local industries by highly protective tariffs and the successful attempt to make Spain independent of foreign sugar supply by tariff on imports plus subsidy of the local industry. Even before the European war the movement had already entered a broader phase. In 1909, legislation was passed intended to develop shipbuilding through special governmental support for companies purchasing their materials from local factories. The iron and steel industries were later favored and far-reaching plans were made for fostering all national industries through governmental aid to be granted after investigation and approval by a Commission for the Protection of National Industry.

To this strong and growing nationalistic feeling the conditions created by the war greatly contributed. Spain, it was argued, had been exploited. Her riches were in the control of foreigners. Her mines, her railroads, her tramways, her waterpowers, her financial institutions, in fact all her economic resources were mortgaged to the foreigner, and the profits which their operations yielded went abroad instead of contributing to the national development. Now with the war had come, it was alleged, the opportunity to change this unsatisfactory state of affairs. The national industries were booming, the war profits had created a surplus of local capital awaiting investment, the peseta was at a premium compared to the depreciated currencies of the belligerent nations. It was easy to pass to the conclusion that this was the time for Spain to create conditions which would bring the "paying of tribute to the foreigner" to an end.

The "Spain for the Spaniards" movement took form in a number of well-intentioned projects of legislation.

First of all it was felt that the industries which had been stimulated or

created by the war must not be allowed to suffer. The periodical revision of the tariff—consideration of this topic every three years is provided for by the legislation—had been delayed by the war. It came up at a time when high protection spirit was in the ascendant. A tariff board was created, which planned an extensive investigation of the cost of production and proposed to create protection for the home industries which would place them on an equality with those of foreign countries. The tariff classifications were to be greatly increased in number to allow flexibility in the application of the new standard. The new Spanish luxury tariff effective December 1, 1920, designed to aid Spanish exchange by decreasing purchases of foreign goods by Spain, is partly a product of the desire for greater protection, but is not as comprehensive as the complete revision promised for 1921.

High tariffs alone are not sufficient, it is felt, to assure the creation of an industrial system which shall be Spanish in the thoroughgoing way which the nationalists desire. Foreign capital, they argue, as experience elsewhere has shown, may establish itself within the national boundaries, profit by the high tariff wall which shuts out foreign competition and continue the very economic dependence which has become so unwelcome. The tariff must therefore be supplemented by other protective measures. To this end it is planned to extend the protection to national industries given by the tariff by indirect or direct subsidy. Companies are to be favored which are created by Spanish capital or which have at least a specified minimum of their stock held by Spanish nationals.

Even this, however, may not assure the rapid development of truly Spanish investments in the country. Additional premiums must be given to

national investors to assure that the war wealth which has come to the kingdom shall stay at home and not seek investment in foreign securities. Spanish capital has shown a singular tendency to go abroad in the past leaving local resources to be developed by foreign enterprise. During the war this tendency became less pronounced and it is reported that about 600,000,-000 pesetas' worth of securities of Spanish enterprises were repurchased from foreigners by Spaniards. Nevertheless, the former custom still has a strong hold on local investors and even this war-time advance might be lost.

To check the flow of capital abroad, a number of measures have been adopted in spite of insistent protests that the nationalistic movement is overreaching itself in their adoption. First among these measures are ones intended to prohibit the "speculation in depreciated currencies" and the purchase of foreign securities in general. Such measures are seldom if ever successful and their general evasion by Spanish investors is a matter of common comment. The first of these laws in Spain antedate the war period and they have always been observed in the breach. It seems doubtful whether those who have recently argued for their enforcement and extension have great confidence in their practicability.

Other measures passed since the war are more thoroughgoing. They aim to make local investments attractive to Spanish financiers by creating a tax wall in favor of Spanish capital similar to the tariff wall protecting goods of Spanish manufacturers. Foreign companies, it is argued, may establish branches in Spain and bring to the exploitation of the Spanish market all the resources and prestige which go with their powerful organizations and international connections, though the

capital which they use or announce they are using in their local business may be of insignificant proportions. In this way the weaker Spanish competitor is put at a disadvantage and equal taxation upon the capital used by local and foreign companies in carrying on their local business dealings is no adequate remedy. It is therefore proposed in legislation enacted at the end of 1919 to tax such foreign companies having branches or representatives authorized to contract for them, not only on the capital used in Spain, but also on their entire capital.

The capstone of this legislation is found in the new laws affecting foreign banks which, though not commercial companies in the generally accepted sense, are one of the means most important in promoting commerce and have drawn the particular dislike of the ultra-nationalists. Foreign banks are made the subject of a special law with alternative bases for taxation requiring them to pay taxes at least at the rate of two per mille on the capital devoted to business in Spain plus one per mille on the entire capitalization of the parent corporation. Severe penalties are provided for evasion of the law, and it is expressly stated that no court review of the tax assessment made by the administrative board composed in majority of officials of the Spanish treasury shall be allowed.

The terms of this latter legislation have aroused widespread protest both in and out of Spain and have been made the subject of representations to the Spanish Government by foreign embassies. These laws have not as yet been actually put into force but it is clear that if enforced they will greatly handicap, if they do not make impossible, the operations of large foreign commercial companies and banks in the Kingdom. However laudable the national ambition for economic inde-

pendence may be, it is unlikely that Spain will find that in the near future she can dispense with the capital and enterprise of the foreigner to the extent sought in these laws.

RECENT ECONOMIC DEVELOPMENTS

The economic developments of recent months have brought forth factors which have emphasized to Spain as to the rest of the world that nations, even the strongest, are, in economic affairs, interdependent not independent and that discriminatory legislation is likely to defeat its own end. In tariff matters Spain is learning that while she may act as she pleases in putting up barriers against imports, other countries have the same freedom—as is brought home by the hardships created by the new high French tariff which cuts into the profits of the Spanish wine producer. Those who have the undeveloped resources of Spain in their possession are beginning to complain that within the kingdom they can find neither the technical ability nor the capital which can bring their properties into use.

In spite of the fact that Spain stayed out of the war and had an unusually strong position during its continuance, the peseta has fallen in value and shows little promise of early recovery. Such developments are far from satisfactory to those who had hoped that restrictive legislation would enable Spain to make permanent the unusual conditions of recent years.

They begin to realize that with reconstruction in the belligerent countries under way and the demand for capital thereby greatly increased, legislation intended to discourage investment from abroad is little likely to bring the hoped-for results. Laudable as the ambition of the nationalist party to make the country self-sufficient is, and though creditable advance in

creating a national industry has been made, Spain is still dependent on the foreigner for the great majority of the manufactured articles she consumes. The national economy is still agricultural, not industrial.

The ideal of a self-sufficing national industry is one which Spain will win only through long years of education for her people in her schools and factories. It is an ideal which can not be attained at a stroke either through exceptional circumstances created by the war or by legislation.

RECENT INTERNATIONAL DEVELOPMENT

If one turns from the legislation on Spanish commercial policy which has been sketched above—the most striking recent development in Spanish international affairs—to the changes going on in the national economic life which will influence the position of the kingdom in the future, the picture is more pleasing. There is no doubt that the development of industry in the northeast, centering around Barcelona, will continue. It is hampered by difficult labor problems but the character of the Catalan workman assures that this section of Spain will become increasingly able to meet the competition of foreign-made goods. Iron and steel manufacture, though still not able to compete effectively in international trade, will supply a growing percentage of the local demand. The increasing use of fertilizers is putting Spanish agriculture, now lamentably backward, into a better position. Rice-growing around Valencia and sugar production scattered over a

large number of provinces are prospering. Both rice and sugar are in some years exported in considerable amounts. That they will regularly go abroad in large values is not probable.

Fruit-raising on the east coast is extending and will contribute increasingly to Spanish income from abroad. Valencian onions also have an assured and expandable market in the north of Europe. Nuts of a wide variety are a staple item of Spanish export. Spanish green olives are a standard article in international trade, and the war has hastened the direct marketing of Spanish olive oil. The fishing industry of the northwest, the pyrites exports of the southwest, the fresh grape exports of the southeast all contribute in an important way to present Spanish foreign commerce and they will continue to do so.

Upon the gradual development of these natural sources of wealth, brought into use by coöperation between her own people and the foreigner, the prosperity of Spain has in the past rested. These same factors will continue to determine the position of Spain in international commerce in the near future, at least. Well-planned legislation may assist in bringing into use the national resources. It has already done so in not a few important branches of industry. That the present movement toward an extreme nationalistic policy will quicken the development which is in progress is at least doubtful. No nation can reform its national economy in a day, and the attempt to do so by some of the laws recently passed in Spain holds out but little promise of success.